(3)

Supreme Court, U.S.
FILED
NOV 8 - 2004
OFFICE OF THE CLERK

No. 04-480

IN THE

Supreme Court of the United States

METRO-GOLDWYN-MAYER STUDIOS, INC., *ET AL.*,

Petitioners,

v.

GROKSTER, LTD., *ET AL.*,

Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit

BRIEF OF *AMICI CURIAE* NATIONAL ACADEMY OF RECORDING ARTS & SCIENCES AND AMERICAN FEDERATION OF TELEVISION AND RADIO ARTISTS, AMERICAN FEDERATION OF MUSICIANS OF THE UNITED STATES AND CANADA, THE COUNTRY MUSIC ASSOCIATION, INC., THE GOSPEL MUSIC ASSOCIATION, THE HIP-HOP SUMMIT ACTION NETWORK, JAZZ ALLIANCE INTERNATIONAL, INC, AND THE RHYTHM & BLUES FOUNDATION SUPPORTING THE PETITION FOR A WRIT OF CERTIORARI

Jon A. Baumgarten
Counsel of Record
Charles B. Ortner
William M. Hart
Frank P. Scibilia
PROSKAUER ROSE LLP
1585 Broadway
New York, New York 10036
212-969-3000

Attorneys for Amici Curiae

Joel Katz
GREENBERG TRAURIG
The Forum
3290 Northside Parkway,
Suite 400
Atlanta, Georgia 30327

Table of Contents

Page

TABLE OF CITED AUTHORITIES i

INTEREST OF THE *AMICI CURIAE* 1

SUMMARY OF ARGUMENT 5

ARGUMENT 5

BY SANCTIONING THE DESIGN AND DISTRIBUTION OF SOFTWARE THAT HAS NO "COMMERCIALLY SIGNIFICANT" USE BUT TO INFRINGE THE CREATIVE WORKS OF OTHERS, THE NINTH CIRCUIT HAS EVISCERATED PROTECTION FOR SUCH WORKS, DOING INJUSTICE TO FUNDAMENTAL COPYRIGHT AND SECONDARY LIABILITY PRINCIPLES 5

A. The Ninth Circuit Has Read The "Substantiality" Requirement Out Of The "Substantial Non-Infringing Use" Doctrine 5

B. The Ninth Circuit's Version of The "Substantial Non-Infringing Use" Doctrine Does Injustice to the Primary Public Interest that Copyright Serves in Motivating Authors and Creators to Create 16

CONCLUSION 20

TABLE OF CITED AUTHORITIES

Page

CASES

A&M Records, Inc. v. General Audio Video Cassettes, Inc., 948 F. Supp. 1449 (C.D. Cal. 1996) 7

A&M Records, Inc. v. Napster, Inc., 239 F.3d 1004 (9th Cir. 2001) 11

Abington Textile Machinery Works v. Carding Specialists, Ltd., 249 F. Supp. 823 (D. D.C. 1965) 8

Arthrocare Corp. v. Smith & Nephew, Inc., 310 F. Supp. 2d 638 (D. Del. 2004) 7

Atari, Inc. v. JS&A Group, Inc., 597 F. Supp. 5 (N.D. Ill. 1983) 7, 14

C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc., 911 F.2d 670 (Fed. Cir. 1990) 7-8

Cable/Home Communication Corp. v. Network Prods., Inc., 902 F.2d 829 (11th Cir. 1990) 7

Dennison Mfg. Co. v. Ben Clements & Sons, Inc., 467 F. Supp. 391 (S.D.N.Y. 1979) 7

Ellison v. Robertson, 189 F. Supp. 2d 1051 (C.D. Cal. 2002), *aff'd in part and rev'd in part on other grounds*, 357 F.3d 1072 (9th Cir. 2004) 13

Fortnightly Corp. v. United Artists Television, Inc., 392 U.S. 390 (1968) 15

Fromberg, Inc. v. Thornhill, 315 F.2d 407 (5th Cir. 1963) 7

Harper & Row, Publishers, Inc. v. Nation Enters., 471 U.S. 539 (1985) 15

Hoffman-La Roche Inc. v. Promega Corp., No. C-93-1748-VRW, 1994 U.S. Dist. LEXIS 10174 (N.D. Cal. June 13, 1994) 7

In re Aimster Copyright Litig., 252 F. Supp. 2d 634 (N.D. Ill. 2002) 12

In re Aimster Copyright Litig., 334 F.3d 643 (7th Cir. 2003), *cert. denied sub nom, Deep v. Recording Indus. Ass'n of Am., Inc.*, 124 S. Ct. 1069 (2004) 5, 12, 13

Marsh-McBirney, Inc. v. Jennings, No. CV 90-6370 WDK, 1991 U.S. Dist. LEXIS 20433 (C.D. Cal. Nov. 8, 1991) 7

Mazer v. Stein, 347 U.S. 201 (1954) 15

MGM Studios, Inc. v. Grokster Ltd., 259 F. Supp. 2d 1029 (C.D. Cal. 2003) 9, 10

MGM Studios, Inc. v. Grokster Ltd., 380 F.3d 1154 (9th Cir. 2004) 8, 10, 11

Nintendo of Am. Inc. v. Computer & Entm't, Inc., No. C96-0187 WD, 1996 U.S. Dist. LEXIS 20975 (W.D. Wash. May 31, 1996) 14

Oxy Metal Indus. Corp. v. Quin-Tec, Inc.,
No. 80-73678, 1982 U.S. Dist. LEXIS 16861
(E.D. Mich. June 8, 1982) 7

Playboy Enters, Inc. v. Webbworld, Inc.,
991 F. Supp. 543 (N.D. Tex. 1997),
aff'd mem., 168 F.3d 486 (5th Cir. 1999) 13

Quality King Distribs., Inc. v.
L'anza Research Int'l, Inc.,
523 U.S. 135 (1998) 15

Reynolds Metals Co. v. Aluminum Co. of Am.,
457 F. Supp. 482 (N.D. Ind. 1978),
rev'd on other grounds, 609 F.2d 1218
(7th Cir. 1979), *cert. denied*, 446 U.S. 989 (1980) 7

Shumaker v. Gem Mfg. Co.,
311 F.2d 273 (7th Cir. 1962) 8

Sony Corp. of America v. Universal City Studios, Inc.,
464 U.S. 417 (1984) ..... *passim*

Twentieth Century Music Corp. v. Aiken,
422 U.S. 151 (1975) 15

United States v. Paramount Pictures, Inc.
334 U.S. 131 (1948) 15

Vault Corp. v. Quaid Software, Ltd.,
847 F.2d 255 (5th Cir. 1988) 14

Worlds of Wonder, Inc. v. Vector Intercontinental, Inc.,
No. C86-2671, 1986 U.S. Dist. LEXIS 15879
(N.D. Ohio Dec. 30, 1986) 14

STATUTES AND OTHER AUTHORITIES

35 U.S.C. § 271(b) 8

Copyright Term Extension Act of 1995: Hearing on H.R. 989 before the House of Representatives Judiciary Courts and Intellectual Property (statement of Quincy Jones), 1995 WL 418350 (F.D.C.H.) 18

Copyright Term Extension Act of 1995: Hearing on S. 483 before the Senate Judiciary Comm. (statement of Alan Menken); 1995 WL 557177 (F.D.C.H.) 17

I. Fred Koenigsberg, *Humpty-Dumpty In Copyrightland*, 51 J. COPYRIGHT SOCIETY 677 (Spring 2004) 17

Jesse M. Feder, *Is Betamax Obsolete?: Sony Corp. of America v. Universal City Studios, Inc. in the Age of Napster*, 37 CREIGHTON L. REV. 859 (June 2004) 14

Mike Stoller, Editorial, *Songs That Won't Be Written*, N.Y. TIMES, Oct. 7, 200, at A.15 17

Pre-1978 Distribution of Recordings Containing Musical Compositions; Copyright Term Extension; and Copyright Per Program Licenses: Hearing Before the Subcomm. On Courts and Intellectual Prop. of the House Comm. on the Judiciary, 105th Cong. 25 (June 27, 1997) (statement of Paul Williams), *available at* http://commdocs.house.gov/committees/judiciary/hju43666.000/hju43666_0.htm#24. 16

INTEREST OF THE AMICI CURIAE[1]

Amicus the non-profit National Academy of Recording Arts & Sciences, Inc. (the "Academy") has for nearly fifty years represented the myriad individuals who contribute to the creation and exploitation of recorded music, including recording artists, musicians, songwriters, record producers, sound engineers, arrangers, narrators, writers of album notes, and conductors. While perhaps best known for its GRAMMY Awards -- the only peer-presented awards which honor artistic achievement in all aspects of the recording industry -- the Academy has established itself as the preeminent musical arts outreach and advocacy organization in the country. Through its affiliated MusiCares Foundation and GRAMMY Foundation, and its unique network of field offices across the country, the Academy advocates on behalf of its over 18,000 members, representing the music community on such critical issues as protection of intellectual property rights, record piracy, and freedom of expression, and supports archival programs to preserve the recorded musical heritage of the United States.

Amicus the American Federation of Musicians of the United States and Canada ("AFM") is an international labor organization representing over 110,000 professional musicians in the United States and Canada. Musicians represented by the AFM record albums, movie sound tracks, television and radio programming, and commercials under industry-wide collective bargaining agreements negotiated by the AFM. AFM members include well-known royalty artists as well as non-featured recording musicians. The AFM works to ensure that musicians are adequately compensated for the sale or other exploitation of

---

[1] Counsel for the Petitioners and Respondents have consented to the filing of this brief. Their consent letters have been filed with the clerk of the Court. No counsel for a party in this Court authored this brief in whole or in part, and no person or entity, other than the Academy as *amicus curiae*, made a monetary contribution to the preparation or submission of this brief.

their recorded performances. Pursuant to AFM-negotiated agreements, recording musicians earn scale wages, pension and health contributions, and deferred compensation tied to the sale of recordings.

Amicus the American Federation of Television and Radio Artists ("AFTRA") is a national labor union representing approximately 80,000 performers and newspersons that are employed in the news, entertainment, advertising and sound recording industries. AFTRA represents approximately 11,000 vocalists on sound recordings, including singers who receive payments for the sale/distribution of each recording pursuant to a royalty contract, and "background" singers who are not signed to a royalty contract, but who receive "contingent scale" payments under the AFTRA-negotiated National Code of Fair Practice for Sound Recordings (the "Sound Recordings Code") when the records on which they perform reach certain sales plateaus. Both the royalty and background artists' pension and health insurance eligibility depend on earnings, which, in turn, are dependent on record sales. In addition to collective bargaining, to ensure that AFTRA members are compensated for their creative efforts, AFTRA participates in legislative and judicial proceedings to protect the intellectual property rights of its members and to prevent the unlicensed use of the works on which AFTRA members appear.

Amicus the Country Music Association, Inc. ("CMA") is a not-for-profit, member based trade association dedicated to the advancement and promotion of country music as an art form throughout the United States and the world. CMA's nearly 6,000 members include songwriters, music publishers, record producers, recording artists, record companies, and merchandisers, who compose, produce, record, manufacture, distribute and sell copies of recorded country music. These members derive much of their livelihood and income from the sale of copies of recorded country music, and consequently, these members

suffer economic loss when recorded country music is downloaded and enjoyed, but not purchased. Other members of the CMA include advertisers and publicists, personal and business managers, talent agents, buyers, concert promoters, television and video producers, and radio broadcasters. These members also participate in the country music industry and rely heavily on the successful exploitation of country music, which is driven by the sale of copies of recorded country music, for their livelihood and income.

Amicus the Gospel Music Association ("GMA") is a trade organization dedicated to promoting and celebrating all forms of gospel music. GMA boasts approximately 20 organizational members and more than 4,000 individual members, including more than 500 artists, 125 songwriters and 200 agents and managers. GMA members also include publicists, music publishers, record producers, and radio programmers. Nearly 3,000 of GMA's members earn all or most of their living in the music business. Nearly 700 are employed by record companies. Gospel record companies have been forced to reduce their workforces by ten percent or more in the past 18 months due in part to sales lost because of the illegal downloading of copyrighted music made possible by companies like Respondents.

Amicus the Hip-Hop Summit Action Network is the largest non-profit coalition of hip-hop artists and recording industry executives in the nation, and is dedicated to the empowerment of youth through the positive power of hip-hop music and culture. Hip-Hop Summit Action Network represents the interests of artists who are financially injured by, and has long supported the recording industry's efforts to stop, the illegal piracy of recorded music.

Amicus Jazz Alliance International, Inc. is a wholly-owned subsidiary of the International Association for Jazz Education and is dedicated to expanding the audience and visibility of jazz and, through education, leadership and advocacy, seeks to raise the profile of the jazz art form and

foster better working relationships within the global jazz community.

Amicus the Rhythm & Blues Foundation is the only independent non-profit service organization solely dedicated to the historical and cultural preservation of Rhythm & Blues music. The Foundation provides financial support, medical assistance and educational outreach through various grants and programs to support R&B and Motown artists of the 1940s through 1970s. The Rhythm & Blues Foundation is committed to "Preserving America's Soul" and to serving those who enriched our lives with their music.

The popular image of songwriters and recording artists as fabulously rich celebrities is very far from the reality. A few creators in the music business do earn substantial livings, but many struggle to survive despite being gifted songwriters, musicians or vocalists who work hard at their craft, and protection of their copyrights is crucial. Overall, the earnings of the members of the Academy, and the other *amici* joining this brief, are modest, and are largely dependent on the sale of recorded music. Respondents, whose businesses are predicated largely on copyright infringement, and are national in scope, have been granted a license by the Circuit Court to steal from the creative musical community, including members of the Academy and the other *amici* whose livelihoods depend on their being paid for the sale of recorded music. The Circuit Courts decision defies the original intent of the Framers as reflected in the Constitutional mandate that creativity be encouraged by protecting copyrights for a limited duration in order to permit creators to earn a living from their endeavors. The decision eviscerates traditional principles of secondary copyright infringement liability by immunizing Respondents from any liability for the massive infringement they foster and facilitate, threatens to destroy the ability of musical artists and others to sustain themselves economically through the creation and

authorized exploitation of their recorded works, and does irreparable, nationwide harm to the ability of creators to protect the quality and artistic integrity of their works.

SUMMARY OF ARGUMENT

While the decision below purports to be based on this Court's ruling in *Sony Corp. of America v. Universal City Studios, Inc.*, 464 U.S. 417 (1984), the practices engaged in by Respondents -- the distribution of software that was designed and is overwhelmingly used to infringe copyrighted music and movies on a massive scale -- do not find sanction in that opinion. Given the massive harm being inflicted on the *amicis'* members by reason of a decision which is not only in conflict with that of another Circuit,[2] but which defies the most fundamental tenets of copyright law, including this Court's ruling in *Sony*, it is essential that this Court review the rule, reasoning, and result below.

ARGUMENT

BY SANCTIONING THE DESIGN AND DISTRIBUTION OF SOFTWARE THAT HAS NO "COMMERCIALLY SIGNIFICANT" USE BUT TO INFRINGE THE CREATIVE WORKS OF OTHERS, THE NINTH CIRCUIT HAS EVISCERATED PROTECTION FOR SUCH WORKS, DOING INJUSTICE TO FUNDAMENTAL COPYRIGHT AND SECONDARY LIABILITY PRINCIPLES

A. The Ninth Circuit Has Read The "Substantiality" Requirement Out Of The "Substantial Non-Infringing Use" Doctrine

More than twenty years ago, this Court was faced with a new technology -- the videotape recorder or "VTR" -- that enabled consumers to, on the one hand, make unauthorized reproductions of copyrighted television

---

[2] *In re Aimster Copyright Litig.*, 334 F.3d 643 (7th Cir. 2003), *cert. denied sub nom, Deep v. Recording Indus. Ass'n of Am., Inc.* 124 S. Ct. 1069 (2004).

programs, but also, on the other hand, to record free, broadcast television programs that they could not watch as they were being televised so they could be "watch[ed] once at a later time," a practice known as "time-shifting."[3] The respondents -- owners of less than 10% of the copyrighted content available on commercial television stations -- sought to hold the manufacturer and distributor of the VTR directly and secondarily liable for consumers' copyright infringement.

The district court found that "the average member of the [viewing] public uses a VTR *principally*" to engage in "time-shifting," and, moreover, that such "time-shifting may enlarge the total viewing audience and that many producers [of television programming] are willing to allow private time-shifting to continue, at least for an experimental time period."[4] The Supreme Court further concluded that even unauthorized "time-shifting" for private, home use was presumptively a "fair use," because the copyright holder respondents had failed to demonstrate that the practice was likely to cause any real harm to the potential market for, or the value of, their works.[5]

The Court in *Sony* was thus faced with the competing interests of copyright owners who require effective protection against infringement of copyrighted content, and consumers who wished only to "time shift,"[6] taking into account those copyright owners who did not object to "time shifting," and device manufacturers who wished "to engage

---

3 *Sony*, 464 U.S. at 421.

4 *Id.* at 421, 443 (emphasis added). There was evidence that approximately 75% of the copies made with VTRs had been made for purposes of time-shifting. *Id.* at 424 n.4.

5 *Id.* at 447-456.

6 The Court echoed the concern of the district court that "[a]n injunction would deprive the public of the ability to use the Betamax for . . . noninfringing off-the-air recording." *Id.* at 443.

in [a] substantially unrelated area[] of commerce," that is, to meet the significant non-infringing demand.[7]

To balance these competing interests, the Court borrowed the "staple article of commerce" doctrine from patent law, holding that "the sale of copying equipment [like the VTR], like the sale of other articles of commerce, does not constitute contributory infringement if the product is *widely* used for legitimate, unobjectionable purposes."[8] Thus, the question presented in *Sony*, as framed by this Court, was whether the VTR was "capable of *commercially significant* noninfringing uses."[9] On the facts before it, it was unnecessary for the Court to define just how much use was "commercially significant," because the standard was plainly satisfied by the primary use of the VTR before the Court: "private, non-commercial time-shifting in the home."[10]

Later decisions, following *Sony*, defined this standard to require something more than insubstantial non-infringing use.[11] Likewise, courts applying the doctrine in patent cases, where the doctrine originated, found that the

---

7 The Court was concerned that "the business of supplying the equipment that makes such copying feasible . . . not be stifled simply because the equipment is used by some individuals to make unauthorized reproductions of respondents' works." *Id.* at 446.

8 *Id.* at 442 (emphasis added).

9 *Id.* (emphasis added).

10 *Id.*

11 *See, e.g., Cable/Home Communication Corp. v. Network Prods., Inc.*, 902 F.2d 829, 846 (11th Cir. 1990) (defining substantial noninfringing use as "wide use 'for legitimate, unobjectionable purposes'"); *A&M Records, Inc. v. General Audio Video Cassettes, Inc.*, 948 F. Supp. 1449, 1456 (C.D. Cal. 1996) (use of device for non-infringing purposes such as recording non-copyrighted works was insubstantial compared to the number of defendant's customers who used device to counterfeit); *Atari, Inc. v. JS&A Group, Inc.*, 597 F. Supp. 5, 8 (N.D. Ill. 1983) (while defendant's PROM BLASTER could be used for the infringing purpose of copying games distributed by the plaintiff, and for the non-infringing purpose of copying games distributed by the defendant itself, the latter use was insubstantial given that defendant sold only nine games).

"quality, quantity and efficiency of the suggested alternate [non-infringing] uses are to be considered,"[12] and that "occasional," "aberrant," or "hypothetical" uses do not suffice.[13] Indeed, they have also refused to apply the doctrine where it is plain that the maker knew of, and sought to capitalize on, the infringing application of its device.[14]

---

[12] *Reynolds Metals Co. v. Aluminum Co. of Am.*, 457 F. Supp. 482, 509 (N.D. Ind. 1978), *rev'd on other grounds*, 609 F.2d 1218 (7th Cir. 1979), *cert. denied*, 446 U.S. 989 (1980); *Oxy Metal Indus. Corp. v. Quin-Tec, Inc.*, No. 80-73678, 1982 U.S. Dist. LEXIS 16861, at *25 (E.D. Mich. June 8, 1982).

[13] *See, e.g., Hoffman-La Roche Inc. v. Promega Corp.*, No. C-93-1748-VRW, 1994 U.S. Dist. LEXIS 10174, at *29 (N.D. Cal. June 13, 1994) (rejecting argument that, in order to be found a non-staple, a device must have "absolutely no significant potential noninfringing use;" "[t]here must be a quantitative element . . . .; Whether a use is 'substantial' or not depends on how likely and often the use will occur"); *Dennison Mfg. Co. v. Ben Clements & Sons, Inc.*, 467 F. Supp. 391, 427 (S.D.N.Y. 1979) (defendant's proffered non-infringing uses were "occasional" and "aberrant" and product was clearly designed to be used in an infringing manner); *Arthrocare Corp. v. Smith & Nephew, Inc.*, 310 F. Supp. 2d 638, 657 (D. Del. 2004) ("occasional and aberrant" non-infringing uses do not rise to the level of substantial noninfringing use); *Fromberg, Inc. v. Thornhill*, 315 F.2d 407, 414 (5th Cir. 1963) (rejecting staple article defense where non-infringing use was a "limited use of little practical consequence in contrast to the number" of devices being used to infringe); *Marsh-McBirney, Inc. v. Jennings*, No. CV 90-6370 WDK, 1991 U.S. Dist. LEXIS 20433, *16 (C.D. Cal. Nov. 8, 1991) (court rejected defendants staple article defense as the defendant's proffered non-infringing uses were hypothetical in nature); *cf. C.R. Bard, Inc. v. Advanced Cardiovascular Sys., Inc.*, 911 F.2d 670, 674 (Fed. Cir. 1990) (device a staple article where 40-60% of the uses of the defendant's device did not infringe on the plaintiff's patented methods).

[14] *See, e.g., Shumaker v. Gem Mfg. Co.*, 311 F.2d 273, 276 (7th Cir. 1962) (defendant's device was not capable of substantial non-infringing uses where defendant advertised and sold its product with directions and diagrams for using it in an infringing manner); *Abington Textile Machinery Works v. Carding Specialists, Ltd.*, 249 F. Supp. 823, 849-50 (D.C.D.C. 1965) (rejecting staple article defense where the defendant manufactured its product with the apparent knowledge that it would be used to infringe on plaintiff's patented process). This is consistent with the doctrine, codified in the very patent law provision from which *Sony* derived the substantial non-infringing use doctrine, that a party can be held liable for 'active inducement' of a patent infringement." *See* 35 U.S.C. § 271(b). Indeed, there is nothing in *Sony* that compels a court to immunize from liability a supplier that distributes an article of software that has substantial non-infringing uses, where the supplier engages in conduct that constitutes a knowing inducement to infringe.

In *Grokster*, the Ninth Circuit was confronted with a technology that is, indisputably, used primarily to infringe. The Petitioners submitted undisputed evidence that *at least* ninety percent of the material on Respondents' services is infringing.[15] The Ninth Circuit agreed that no one seriously contests that "the vast majority of the files" exchanged on Respondents' services "are exchanged illegally in violation of copyright law."[16]

The euphemism "file sharing" does not effectively capture the true nature of the infringing activity, which involves unauthorized reproduction of the entirety of numerous copyrighted works and the distribution of copies to others, who are equally capable of copying and retransmitting them, *ad infinitum*. A "massive volume" of evidence demonstrated that Respondents "clearly know that many if not most of those individuals who download their software subsequently use it to infringe copyrights."[17]

Further, the commercial success of Respondents' business is tied to being able to attract as many "eyeballs" as possible to their services with the "draw" of being able to download copyrighted music and movies for free.[18] Not surprisingly, this "draw" has resulted in an economic windfall to the Respondents.[19] At the same time, there was

---

[15] *See MGM Studios, Inc. v. Grokster Ltd.*, 380 F.3d 1154, 1158, 1162 (9th Cir. 2004).

[16] *Id.* at 1160.

[17] *MGM Studios, Inc. v. Grokster Ltd.*, 259 F. Supp. 2d 1029, 1036-37 (C.D. Cal. 2003).

[18] *Id.* at 1043 ("Here, it is clear that Defendants derive a financial benefit from the infringing conduct. The ability to trade copyrighted songs and other copyrighted works certainly is a 'draw' for many users of Defendants' software. As a result, Defendants have a user base in the tens of millions.").

[19] *Id.* at 1044 & n. 11 ("Defendants derive substantial revenue from advertising. For example, StreamCast had $1.8 million in revenue in

never any showing that any non-infringing use attracted users or, ultimately, advertisers, which are critical to the success of Respondents' business. These undisputed facts caused the district court to conclude that there was a very real possibility that Respondents "may have intentionally structured their businesses to avoid secondary liability for copyright infringement, while benefiting financially from the illicit draw of their wares."[20]

Nevertheless, the district court and the Ninth Circuit immunized Respondents' conduct by applying a perverse interpretation of *Sony's* "substantial non-infringing use" doctrine. The Respondents submitted declarations that there are non-infringing uses of their software (a handful of copyright owners stated that they consent to having their works distributed via the software; others claimed to use the software to distribute public domain or non-copyrighted works). The district court recited those non-infringing uses and concluded that they were "substantial" without articulating the standard by which it reached that determination.[21] Its treatment of the issue was entirely conclusory. The Ninth Circuit affirmed, relying on these same declarations, and refusing to even consider Petitioners' evidence which established that the vast majority of the software's use is for infringement. According to the court, to do so would "misapprehend[] the *Sony* standard as construed in *Napster I*, which emphasized that in order for limitations imposed by *Sony* to apply, a

2001 from advertising. . . . And as of July of 2002, StreamCast had $2 million in revenue and projects $5.7 million by the end of the year. . . . Grokster also derives substantial revenue from advertising. . . . The more individuals who download the software, the more advertising revenue Defendants collect. And because a substantial number of users download the software to acquire copyrighted material, a significant proportion of Defendants' advertising revenue depends upon the infringement. Defendants thus derive a financial benefit from the infringement. . . . This conclusion is essentially undisputed by Defendants.")(Internal citations omitted.)

[20] *Id.* at 1046.

[21] *Id.* at 1035.

product need only be *capable* of substantial noninfringing uses."[22]

Neither the district court nor the Ninth Circuit attempted to assess the substantiality of the actual or potential non-infringing uses either in absolute terms or relative to the amount of infringing use. Nor did either court attempt to assess the commercial significance of those uses to the Respondents' service. Indeed, by concluding that Petitioners' copyrighted works were the "draw" that resulted in Respondents having a user base in the tens of millions, the district court implicitly found that these non-infringing uses were not in the least commercially significant to Respondents' service.

Grokster, therefore, stands for the proposition that *any* showing of non-infringing use will result in the application of a standard for a finding of contributory liability that is virtually impossible to meet. That approach is not supported by *Sony*, which drew the line at "substantial," "commercially significant" non-infringing use, not at *any* non-infringing use.

The Ninth Circuit compounded this profound error by creating a "Catch 22" in the standard of knowledge to which Respondents were to be held. According to the Ninth Circuit, where a device qualifies as a "staple item" within the meaning of *Sony*, more than "constructive" knowledge of its potentially infringing use must be established.[23] However, at the point in time before Respondents released their software, there was no actual instance of infringement that could be proved to result from the use of that software.[24] Once the software is released, and actual instances of infringement resulting from the use of the software occur, providing specific notice of those infringements to Respondents would be too late, said the

[22] 380 F.3d at 1162 (emphasis in original).

[23] *Id.* at 1161.

[24] *Id.* at 1162.

Ninth Circuit, because the software was effectively put into the hands of the public, and the software maker arguably had no further control over its use.[25] This approach appears nowhere in *Sony* or in the law of secondary liability, but is derived solely from the Ninth Circuit's interpretation of its own decision in *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1021 (9th Cir. 2001).

In these circumstances, no amount of proof would ever suffice to establish secondary liability against the maker of software that was clearly designed as an infringement machine,[26] notwithstanding undisputed proof that, in actual use, the device was used overwhelmingly for infringement. The fallacy of this approach ultimately led the Ninth Circuit to the absurd conclusion that Respondents' software did not even 'materially contribute' to the infringing activities of its users.[27]

The Ninth Circuit's failure in *Grokster* to make any attempt to assess the substantiality of the actual or potential non-infringing uses, or to assess the commercial significance of those uses, violates not only the letter, but also the purpose of the "substantial non-infringing use" standard as articulated by this Court in *Sony*. It is also inconsistent with the decisions of other courts that have applied the doctrine in the copyright context since *Sony* -- including the Seventh Circuit's decision in *Aimster* -- as well as its application in the related field of patent law, from which the doctrine originates.[28]

---

[25] *Id.* at 1162-63.

[26] It can never be met where a defendant deliberately designs its software so that -- unlike other peer-to-peer services such as *Napster* -- it does not have knowledge of particular files being traded, and so cannot know of a specific instance of infringement unless notified by a copyright holder, by which point it would, according to the court, be too late. In this way, the *Grokster* court made evidence of *any* non-infringing use a complete defense to a finding of secondary copyright infringement liability.

[27] 380 F.3d at 1163.

[28] *See* cases *supra*, notes 13 & 14.

The Seventh Circuit in *Aimster* correctly recognized the purpose of the "substantial non-infringing use" doctrine in the context of a peer-to-peer technology that was used primarily to infringe.[29] There, as in *Napster* and *Grokster*, it was "unequivocally established that Aimster's users [were] engaged in direct copyright infringement."[30] Like the Respondents, Aimster took steps to ensure that it could not identify the content of specific files in an effort to avoid having the requisite knowledge to establish contributory liability.[31] And, while the Seventh Circuit recognized that Aimster, like Grokster and StreamCast, could be used for non-infringing purposes,[32] that Court refused to hold that this, alone, was sufficient for Aimster to avoid liability:

> Were that the law, the seller of a product or service used *solely* to facilitate copyright infringement, though it was capable in principle of non-infringing uses, would be immune from liability for contributory infringement. That would be an extreme result, and one not envisaged by the *Sony* majority.[33]

What *Sony* required was a weighing of infringing and non-infringing uses: "when a supplier is offering a product or service that has noninfringing as well as infringing uses, some estimate of the respective magnitudes of these uses is necessary for a finding of contributory infringement."[34] Because Aimster failed to produce any evidence that its service had ever been used for a non-infringing use, "let

---

[29] *See In re Aimster Copyright Litig.*, 334 F.3d 643.

[30] *In re Aimster Copyright Litig.*, 252 F. Supp. 2d 634, 648 (N.D. Ill. 2002).

[31] *Id.* at 641.

[32] *See* 334 F.3d at 652.

[33] *Id.* at 651.

[34] *Id.* at 649.

alone evidence concerning the frequency of such uses," its staple article defense failed.[35]

Equally important, the Seventh Circuit refused to sanction Aimster's "ostrich-like refusal to discover the extent to which its system was being used to infringe."[36] Aimster, like Grokster, deliberately devised its system to avoid actual knowledge of precisely what files its users were copying, in an effort to avoid secondary liability. But because Aimster "blinded itself in the hope that by doing so it might come within the rule of the *Sony* decision;" "[i]t must take responsibility for that self-inflicted wound."[37]

The question of where the line should be drawn between substantial and insubstantial, and commercially significant and insignificant, non-infringing use is, ultimately, for the court to decide. The Ninth Circuit did not draw a line, but instead read "substantiality" and "commercially significant" out of the test altogether. *Any* non-infringing use would appear to satisfy that test.

Although the *Sony* majority found it unnecessary to define just how much use was "commercially significant"

---

[35] *Id.* at 653.

[36] *Id.* at 655.

[37] *Id.* at 653-54. The Seventh Circuit concluded that "[e]ven when there are noninfringing uses of an Internet file-sharing service, . . . if the infringing uses are substantial then to avoid liability as a contributory infringer the provider of the service must show that it would have been disproportionately costly for him to eliminate or at least reduce substantially the infringing uses." *Id.* at 653. *See also Playboy Enters., Inc. v. Webbworld, Inc.*, 991 F. Supp. 543 (N.D. Tex. 1997), *aff'd mem.*, 168 F.3d 486 (5th Cir. 1999) (finding vicarious liability and rejecting defendant's argument that he did not have the ability to control the bots that automatically trolled the Internet for visual images because it was the defendant himself who programmed the software and could have changed the parameters to avoid infringement); *Ellison v. Robertson*, 189 F. Supp. 2d 1051, 1058 (C.D. Cal. 2002) (finding defendant liable where it "should have known about the infringement" but failed to do so through "its own fault," and noting that a contrary rule would encourage defendants "to remain willfully ignorant in order to avoid contributory copyright infringement liability"), *aff'd in part, rev'd in part on other grounds*, 357 F. 3d 1072 (9th Cir. 2004).

in light of the fact that the VTR was predominantly used for time-shifting, Justice Blackmun noted, in dissent, that "if no one would buy the product for noninfringing purposes alone, it is clear that the manufacturer is purposely profiting from the infringement, and that liability is appropriately imposed."[38] Thus, one way in which a court can assess the substantiality of a non-infringing use is to consider the market for that use.[39] Because Respondents give their software away for free, and the software is paid for by advertising revenue, the Ninth Circuit could have considered whether the stated non-infringing uses would generate enough "eyeballs" to sustain the viability of Respondents' business model in the absence of the infringing uses (which the district court had conceded were the "draw" attracting Respondents' sizable user base).[40] Instead, it adopted a test which, contrary to the letter and purpose of the substantial non-infringing use doctrine as articulated in *Sony*, makes evidence of any non-infringing use a complete defense to a finding of secondary copyright infringement liability.

---

[38] *Sony*, 464 U.S. at 491 (Blackmun, J., dissenting).

[39] *See also Worlds of Wonder, Inc. v. Vector Intercontinental, Inc.*, No. C86-2671, 1986 U.S. Dist. LEXIS 15879, at *3-4 (N.D. Ohio Dec. 30, 1986) (although defendant's tapes had non-infringing uses, those uses were not substantial where commercial value of tapes depended on their infringing use); *Nintendo of Am. Inc. v. Computer & Entm't, Inc.*, No. C96-0187-WD, 1996 U.S. Dist. LEXIS 20975, at *6 (W.D. Wash. May 31, 1996) (although it was "technically possible" to use defendant's product for certain non-infringing uses, purchasers were not likely to do so given less expensive alternatives); *Atari*, 597 F. Supp. at 8 (same); *cf. Vault Corp. v. Quaid Software, Ltd.*, 847 F.2d 255, 262 (5th Cir. 1988) (viable commercial market existed for noninfringing use of product: making back-up copies of copyrighted software).

[40] *See* Jesse M. Feder, *Is Betamax Obsolete?: Sony Corp. of America v. Universal City Studios, Inc. in the Age of Napster*, 37 CREIGHTON L. REV. 859, 899 (June 2004).

B. The Ninth Circuit's Version of The "Substantial Non-Infringing Use" Doctrine Does Injustice to the Primary Public Interest that Copyright Serves in Motivating Authors and Creators to Create

In *Sony*, this Court recognized that when technological change renders the copyright law ambiguous, the Court must return to basic principles.[41] The "ultimate aim" of copyright is "to stimulate artistic creativity for the general public good."[42] The important public interest, mandated by Article I, Section 8 of the Constitution, has been reaffirmed time and again by this Court.[43] Even though the creator may be the immediate beneficiary of copyright protection, such protection ultimately serves public, not private ends, by ensuring the availability of creative works.

---

[41] *Sony*, 464 U.S. at 432. The copyright law must not be inflexible and must be read "in the light of drastic technological change," keeping in mind at all times that its "basic purpose" is "to stimulate artistic creativity for the general public good." *Twentieth Century Music Corp. v. Aiken*, 422 U.S. 151, 156 (1975) (citing *Fortnightly Corp. v. United Artists Television, Inc.*, 392 U.S. 390, 395-96 (1968)).

[42] *Id.* at 431-32 (quoting *Twentieth Century Music Corp.*, 422 U.S. at 156).

[43] *See, e.g., Sony*, 464 U.S. at 429 ("[T]he limited grant is a means by which an important public purpose may be achieved. It is intended to motivate the creative activity of authors and inventors by the provision of a special reward, and to allow the public access to the products of their genius after the period of limited exclusive control has expired."); *United States v. Paramount Pictures, Inc.*, 334 U.S. 131, 158 (1948) ("'The sole interest of the United States and the primary object in conferring the monopoly lie in the general benefits derived by the public from the labors of authors.' It is said that reward to the author or artist serves to induce release to the public of the products of his creative genius."); *Mazer v. Stein*, 347 U.S. 201, 219 (1954) (The "encouragement of individual effort by personal gain is the best way to achieve the public welfare through the talents of authors . . . Sacrificial days devoted to such creative activities deserve rewards commensurate with the services rendered."); *Quality King Distribs., Inc. v. L'anza Research Int'l., Inc.*, 523 U.S. 135, 151 (1998) ("In construing the statute, however, we must remember that its principal purpose was to promote the progress of the 'useful Arts,' U.S. Const., Art. I, § 8, cl. 8, by rewarding creativity . . . ."); *Harper & Row, Publishers, Inc. v. Nation Enters.*, 471 U.S. 539, 546 (1985).

Recorded music is vital to America's cultural heritage, and this is reflected in the 107 categories of GRAMMY Awards covering 40 separate genres and groupings, including classical, jazz, gospel, blues, folk, polka, country, R&B, Latin, rock, pop, rap, dance, alternative, and blue grass music. The preservation and growth of that heritage depends very much upon providing an environment in which creators of recorded music may earn a living from their creative endeavors. We no longer live in the Renaissance and succeeding eras when artists were financially supported largely by wealthy, private patrons. Today, millions of members of the record-buying public are the "patrons." If they are allowed to copy and distribute recordings protected by the Copyright Act compensating the creators (and those who work with them), the artists' principal means of support will vanish, with the destructive consequences to our culture following as certainly as night follows day. Surely, it was not the intent of Congress that its statutes be interpreted to undercut the core principal that "the useful arts" be promoted through the maintenance of a strong copyright law. The Ninth Circuit ignored the basic tenet of copyright law that when there is no recompense for uses of a copyrighted work, not just the incentive to create, but, as a practical matter, the very ability of artists to create, is undermined. As acclaimed songwriter and recording artist Paul Williams testified before Congress:

> I am joined by many in this room for whom songwriting is our life's work. That is to say, it is our *life*, but it is also our *work*. The royalties we earn on songs we've written pay our bills. Put our kids through school. Enable us to plan for retirement. Without our copyrights, we will be economically devastated.[44]

---

[44] *Pre-1978 Distribution of Recordings Containing Musical Compositions; Copyright Term Extension; and Copyright Per Program Licenses: Hearing Before the Subcomm. On Courts and Intellectual Prop. of the House Comm. on the Judiciary*, 105th Cong. 25 (June 27, 1997) (statement of Paul Williams), *available at*

Composer and lyricist Alan Menken similarly testified:

> While it is impossible to ascertain exactly what inspires a person to become a composer rather than a surgeon, or a dentist in my case, it is the reality of life . . . that one must work in order to support oneself and one's family. . . . If it becomes clear that insufficient copyright protection is available to provide that support, there will be less incentive to try and make one's living as a creator.[45]

And legendary songwriter Mike Stoller wrote:

> Many say that since making music is an art, artists should do it simply for the love of it. But how free can artists be to do what we love if we must spend most of our days doing something else to make a living?[46]

The advocates of those who support file sharing without compensating the creators portray the ensuing litigation as battles between "David" and "Goliath," claiming merely to be facilitating the "sharing" of music and other "content" among a "community" of users, and arguing that they are under attack by "giant" (hence "evil") record companies and music publishers who are motivated solely by "greed." Lost in this formulation, however, is the recognition that the victims here are not the developers of the software which encourages and facilitates theft. As one commentator aptly put it: "Since when did unauthorized taking . . . become 'sharing?' . . . Since when did millions of people unrelated to any common bond whatsoever except the purchase of a computer and its attachments, and

---

http://commdocs.house.gov/committees/judiciary/hju43666.000/hju43666_0.htm#24.

[45] *See, e.g., Copyright Term Extension Act of 1995: Hearing on S. 483 before the Senate Judiciary Comm.* (statement of Alan Menken), 1995 WL 557177 (F.D.C.H.).

[46] Mike Stoller, Editorial, *Songs That Won't Be Written*, N.Y. TIMES, Oct. 7, 2000, at A15.

a desire to take property without payment, constitute a 'community.'?"[47] By framing the debate as if the companies that are building their businesses on the backs of uncompensated creators are the "victims," the Respondents seek to shift the focus away from the ultimate victims: the public, and the creators of recorded music and those who work with them. Most of these individuals are not wealthy "superstars." They are singers, musicians, composers, producers, engineers, arrangers, technicians and the like who rely on revenues derived from the lawful sale of records to support themselves and their families.[48] And it is those individuals and their ability to earn a living from their creative endeavors that the copyright laws are designed to protect for the benefit of our society.

By completely eliminating from the balance the copyright holders' "legitimate demand for effective -- not merely symbolic -- protection of the statutory monopoly,"[49] the Ninth Circuit's test does injustice to the primary public interest that copyright serves in motivating authors and creators to create. And it contributes to a growing perception that is taking root nationwide: that music is free, or that it is permissible to steal it. This threatens the livelihoods of not just big-name record artists and record companies, but the livelihoods of everyone involved in the making, presentation, and distribution of sound recordings.[50] By removing the financial incentive to create,

---

[47] I. Fred Koenigsberg, *Humpty-Dumpty In Copyrightland*, 51 J. COPYRIGHT SOCIETY 677, 680 (Spring 2004).

[48] *See, e.g., Copyright Term Extension Act of 1995: Hearing on H.R. 989 before the House of Representatives Judiciary Courts and Intellectual Property* (statement of Quincy Jones), 1995 WL 418350 (F.D.C.H.) ("[W]e must not forget that there are many songwriter/musicians, particularly blues and jazz musicians, who support themselves and their families on the royalties earned from the three or four songs that they composed.")

[49] *Sony*, 464 U.S. at 442.

[50] We further note that artists place a premium on the quality of the recordings they distribute to the public. They devote an enormous amount of attention towards crafting the sound, which is a fundamental

fewer and fewer talented individuals will be able to afford to devote their efforts to expanding America's musical heritage, jeopardizing the future of music itself, to the public's detriment.

CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,
JON A. BAUMGARTEN
Counsel of Record
CHARLES B. ORTNER
WILLIAM M. HART
FRANK P. SCIBILIA
PROSKAUER ROSE LLP
1585 BROADWAY
NEW YORK, NEW YORK 10036

Of Counsel:

JOEL KATZ
GREENBERG TRAURIG
THE FORUM
3290 NORTHSIDE PARKWAY, SUITE 400
ATLANTA, GEORGIA 30327

---

part of their art. Respondents have usurped for themselves a fundamental copyright right that belongs to the creator of a copyrightable work, namely, the right to control the manner and method of the work's distribution, and, hence, its artistic integrity. Respondents have become the record "store," but all of the records are free. The "record" that the user "obtains" from this store may not, however, be the "record" as the artist (and the producer and recording engineer who labored to ensure that the recording was of the highest fidelity) intended it to be heard. The quality of the "file-shared" copy is often poor, or incomplete. It may be an unauthorized and low-quality bootleg of a live recording. It could even be a mislabeled recording by a different artist altogether. And the listener may likely never know that the defects were not the fault of the recordings' creators.